

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name <b>TOWNSHIP OF BROOKFIELD</b>	County <b>HURON</b>
Fiscal Year End <b>3-31-06</b>	Opinion Date <b>6-5-06</b>	Date Audit Report Submitted to State <b>6-21-06</b>	

We affirm that:

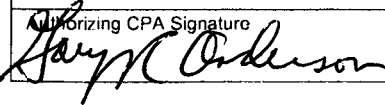
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - ☒ ☐ The local unit has adopted a budget for all required funds.
  - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - ☒ ☐ The local unit is free of repeated comments from previous years.
  - ☐ ☒ The audit opinion is UNQUALIFIED.
  - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>	N/A		
Other (Describe)	<input type="checkbox"/>	N/A		
Certified Public Accountant (Firm Name) <b>ANDERSON, TUCKEY, BERNHARDT &amp; DORAN, P.C.</b>		Telephone Number <b>989-673-3137</b>		
Street Address <b>715 East Frank St. Caro, Michigan 48723-1623</b>		City	State	Zip
Authorizing CPA Signature 		Printed Name <b>GARY R. ANDERSON</b>		License Number <b>1101005446</b>

**BROOKFIELD TOWNSHIP**  
**HURON COUNTY**  
Owendale, Michigan

Report on Financial Statements  
(with additional information)  
Year Ended March 31, 2006

## TABLE OF CONTENTS

### Page Number

#### **INDEPENDENT AUDITORS' REPORT**

#### **GENERAL PURPOSE FINANCIAL STATEMENTS**

<i>Combined Balance Sheet - All Fund Types and Account Groups</i>	1 & 2
<i>Combined Statement of Revenue, Expenditures and Change in Fund Balance – All Governmental Fund Types</i>	3
<i>Combined Statement of Revenue, Expenditures and Change in Fund Balance – Budget and Actual - General and Special Revenue Fund Types</i>	4 & 5
<i>Notes to Financial Statements</i>	6 - 13

#### **FINANCIAL STATEMENTS OF INDIVIDUAL FUNDS**

##### **General Fund:**

<i>Schedule of Revenue, Expenditures and Change in Fund Balance – Budget and Actual</i>	14 - 16
---	---------

##### **Special Revenue Fund:**

<i>Combined Balance Sheet</i>	17
<i>Combined Schedule of Revenues, Expenditures &amp; Changes in Fund Balance</i>	18

##### **Fire Fund:**

<i>Schedule of Revenue, Expenditures &amp; Changes in Fund Balance - Budget and Actual</i>	19
--	----

##### **Road Fund:**

<i>Schedule of Revenue, Expenditures &amp; Changes in Fund Balance - Budget and Actual</i>	20
--	----

##### **Current Tax Collection Fund:**

<i>Schedule of Changes in Assets &amp; Liabilities</i>	21
<i>Schedule of USDA Note Agreement</i>	22

# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



Gary R. Anderson, CPA  
Jerry J. Bernhardt, CPA  
Thomas B. Doran, CPA

Robert L. Tuckey, CPA  
Valerie Jamieson Hartel, CPA  
Jamie L. Peasley, CPA

June 5, 2006

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Brookfield Township, Huron County, Michigan  
Owendale, Michigan 48754

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Township of Brookfield as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Brookfield Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and changes in the financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Township of Brookfield's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township of Brookfield as of March 31, 2006 or changes in its financial position or cash flows where applicable, for the year then ended.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental financial information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements of Brookfield Township. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

## General Purpose Financial Statements

**BROOKFIELD TOWNSHIP, HURON COUNTY**  
**COMBINED BALANCE SHEET -**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**March 31, 2006**

	<b>GOVERNMENTAL FUND TYPES</b>	
	<b>GENERAL</b>	<b>SPECIAL REVENUE</b>
<b><u>ASSETS</u></b>		
Cash	\$ 92,158	\$ 81,067
Taxes receivable		
Due from other funds	14,207	15,332
Fixed assets		
Amount available and to be provided for payment of long-term debt		
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 106,365</u></b>	<b><u>\$ 96,399</u></b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>		
<b>LIABILITIES:</b>		
Accounts payable	\$ 284	\$ -
Due to other funds	-	17,747
Due to other governmental units	-	-
Notes payable	-	-
USDA note agreement payable	-	-
General obligation bonds payable	-	-
<b>TOTAL LIABILITIES</b>	<b>284</b>	<b>17,747</b>
<b>FUND EQUITY:</b>		
Investment in general fixed assets		
Fund Balance		
Designated		78,652
Undesignated	106,081	
<b>TOTAL FUND EQUITY</b>	<b>106,081</b>	<b>78,652</b>
<b><u>TOTAL LIABILITIES &amp; FUND EQUITY</u></b>	<b><u>\$ 106,365</u></b>	<b><u>\$ 96,399</u></b>

<u>FIDUCIARY</u>	<u>ACCOUNT GROUPS</u>		
<u>TRUST AND AGENCY</u>	<u>GENERAL FIXED ASSETS</u>	<u>GENERAL LONG TERM DEBT</u>	<u>TOTAL (MEMORANDUM)</u>
\$ 2,075			\$ 175,300
42,841			42,841
	\$ 311,820		29,539
			311,820
		\$ 120,000	-
			120,000
<u>\$ 44,916</u>	<u>\$ 311,820</u>	<u>\$ 120,000</u>	<u>\$ 679,500</u>
\$ 11,792			284
			\$ 29,539
33,124			-
		\$ 120,000	33,124
			120,000
			-
44,916	-	120,000	182,947
	\$ 311,820		311,820
			-
			78,652
			106,081
-	311,820	-	496,553
<u>\$ 44,916</u>	<u>\$ 311,820</u>	<u>\$ 120,000</u>	<u>\$ 679,500</u>

**BROOKFIELD TOWNSHIP, HURON COUNTY**  
**COMBINED STATEMENT OF REVENUE, EXPENDITURES**  
**AND CHANGE IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES**  
**YEAR ENDED MARCH 31, 2006**

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>TOTAL (MEMORANDUM)</u>
REVENUE:			
Taxes	\$ 34,200	\$ 148,425	\$ 182,625
Licenses & permits	75		75
Intergovernmental revenue	43,395		43,395
Metro	3,546		3,546
Interest		1,756	1,756
Miscellaneous	4,395	4,211	8,606
	<hr/>	<hr/>	<hr/>
TOTAL REVENUE	85,611	154,392	240,003
	<hr/>	<hr/>	<hr/>
EXPENDITURES:			
Legislative	2,042		2,042
Executive	9,014		9,014
Clerk	6,122		6,122
Board of Review	425		425
Treasurer	10,438		10,438
Township hall & grounds	4,434		4,434
Zoning board	644		644
Drain at large	10,146		10,146
Road construction/maintenance		113,056	113,056
Public safety		26,743	26,743
Parks and cultural	1,000		1,000
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	44,265	139,799	184,064
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES):			
Loan payments - USDA		5,000	5,000
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)		5,000	5,000
	<hr/>	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	41,346	9,593	50,939
	<hr/>	<hr/>	<hr/>
FUND BALANCE - BEGINNING OF YEAR	64,735	69,059	133,794
	<hr/>	<hr/>	<hr/>
FUND BALANCE - END OF YEAR	<u>\$ 106,081</u>	<u>\$ 78,652</u>	<u>\$ 184,733</u>

The accompanying notes are an integral part of the financial statements.



**BROOKFIELD TOWNSHIP, HURON COUNTY**  
**COMBINED STATEMENT OF REVENUE, EXPENDITURES**  
**AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL AND SPECIAL REVENUE FUND TYPES**  
**YEAR ENDED MARCH 31, 2006**

	<b>GENERAL FUND</b>		
	<b>BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE- FAVORABLE (UNFAVORABLE)</b>
<b>REVENUE:</b>			
Taxes	\$ 34,099	\$ 34,200	\$ 101
Licenses & permits	-	75	75
Intergovernmental revenue	41,000	43,395	2,395
Metro		3,546	3,546
Interest			
Miscellaneous	3,025	4,395	1,370
<b>TOTAL REVENUE</b>	<b>78,124</b>	<b>85,611</b>	<b>7,487</b>
<b>EXPENDITURES:</b>			
Legislative	2,076	2,042	34
Executive	9,555	9,014	541
Clerk	7,623	6,122	1,501
Board of Review	564	425	139
Treasurer	9,901	10,438	(537)
Township hall & grounds	13,780	4,434	9,346
Zoning board	415	644	(229)
Drain at large	10,000	10,146	(146)
Elections	1,000	-	1,000
Road Construction/maintenance			-
Public safety			-
Parks and cultural	1,000	1,000	-
<b>TOTAL EXPENDITURES</b>	<b>55,914</b>	<b>44,265</b>	<b>11,649</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Loan payments - USDA			
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>			
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>22,210</b>	<b>41,346</b>	<b>19,136</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>64,735</b>	<b>64,735</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 86,945</b>	<b>\$ 106,081</b>	<b>\$ 19,136</b>

The accompanying notes are an integral part of the financial statements.

SPECIAL REVENUE FUND			(MEMORANDUM ONLY)		
BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
\$ 147,464	\$ 148,425	\$ 961	\$ 181,563	\$ 182,625	\$ 1,062
		-	-	75	75
		-	41,000	43,395	2,395
			-	3,546	3,546
	1,756	1,756	-	1,756	1,756
	4,211	4,211	3,025	8,606	5,581
<u>147,464</u>	<u>154,392</u>	<u>6,928</u>	<u>225,588</u>	<u>240,003</u>	<u>14,415</u>
		-	2,076	2,042	34
		-	9,555	9,014	541
		-	7,623	6,122	1,501
		-	564	425	139
		-	9,901	10,438	(537)
		-	13,780	4,434	9,346
		-	415	644	(229)
		-	10,000	10,146	(146)
		-	1,000	-	1,000
124,536	113,056	11,480	124,536	113,056	11,480
25,313	26,743	(1,430)	25,313	26,743	(1,430)
			1,000	1,000	-
<u>149,849</u>	<u>139,799</u>	<u>10,050</u>	<u>205,763</u>	<u>184,064</u>	<u>21,699</u>
<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
5,000	5,000	-	5,000	5,000	-
<u>(7,385)</u>	<u>9,593</u>	<u>16,978</u>	<u>14,825</u>	<u>50,939</u>	<u>36,114</u>
<u>69,059</u>	<u>69,059</u>	<u>-</u>	<u>133,794</u>	<u>133,794</u>	<u>-</u>
<u>\$ 61,674</u>	<u>\$ 78,652</u>	<u>\$ 16,978</u>	<u>\$ 148,619</u>	<u>\$ 184,733</u>	<u>\$ 36,114</u>

**BROOKFIELD TOWNSHIP, HURON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**DESCRIPTION OF TOWNSHIP OPERATIONS AND FUND TYPES:**

The Township covers an area of approximately 36 square miles within Huron County. The township operates under an elected Board and provides services to its more than 2,700 residents in many areas including law enforcement, administration of justice, community enrichment, development and human services.

The financial statements of Brookfield Township have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units, except as noted in Note 9. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**A. REPORTING ENTITY:**

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, the Financial Reporting Entity.

Based upon the application of these criteria, the general purpose financial statements of Brookfield Township contain all the funds and account groups controlled by the Township's Board of Trustees as no other entity meets the criteria to be considered a blended component unit or a discretely presented component of the Township nor is the Township a component unit of another entity.

**B. FUND ACCOUNTING:**

The government uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital project funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government.

Account groups are used to account for fixed assets and long-term liabilities that are not reported in the respective governmental funds.

**BROOKFIELD TOWNSHIP, HURON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**C. BASIS OF ACCOUNTING:**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Fund equity (i.e. net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increased (i.e. revenues) and decreases (i.e. expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after yearend. A one year availability period is used to revenue recognition for all other governmental fund revenues susceptible to accrual. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Those revenues susceptible to accrual are property taxes, federal and state grants, special assessments, licenses, interest revenue and charges for services. Fines, permits and sales tax and other state revenues are not susceptible to accrual because generally they are not measurable until received in cash.

**D. BUDGETS AND BUDGETARY ACCOUNTING:**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year-end.

Encumbrances represent commitments related to unperformed contracts for goods or services. The Township does not utilize encumbrance accounting.

**E. CASH AND INVESTMENTS:**

Cash includes amounts in petty cash and demand deposits. Investments included instruments allowed by state statute subsequently described. Investments are carried at amortized cost or fair value.

State statutes authorize the Township to invest in bonds, securities, and other direct and certain indirect obligations of the U.S. Treasury, which include securities issued or guaranteed by the Government National Mortgage Association; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase and not totaling more than 50% of any fund at any time. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**BROOKFIELD TOWNSHIP, HURON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**F. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES:**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

**G. RECEIVABLES:**

Receivables consist primarily of amounts for taxes and customer charges. No allowance for doubtful accounts is considered necessary and credit risk is minimal because of the large number of customers and the authority of the Township to add receivables to the tax rolls, which are secured by the underlying property.

**H. RESTRICTED ASSETS:**

Certain proceeds of enterprise fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants and Michigan law.

**I. FIXED ASSETS:**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued to cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Fixed assets purchased within the proprietary funds and the non-expendable trust fund are reported as assets within those funds and accordingly, are included on their balance sheet.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government. Primarily because of this policy, total expenditures for capital improvements in the governmental funds do not equal total additions to the general fixed asset account group.

Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment and vehicles in the proprietary fund types is computed over the estimated useful lives using the straight-line method.

**J. LONG-TERM OBLIGATIONS:**

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

**BROOKFIELD TOWNSHIP, HURON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**K. FUND EQUITY:**

Designated fund balances represent tentative plans for future use of financial resources.

Contributed capital currently exists only in the enterprise funds. This capital has been used along with other township resources to purchase or construct the water and sewer systems currently in use within the Township. In order to more accurately reflect the equity remaining in these contributions, the contributions are being amortized over the useful life of the assets they aided in constructing or purchasing.

**L. INTERFUND TRANSACTIONS:**

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-reoccurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**M. MEMORANDUM ONLY - TOTAL COLUMNS:**

The total columns on the combined statements are captioned memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. Prior year memorandum total amounts have been updated for comparative purposes.

**BROOKFIELD TOWNSHIP, HURON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2006**

**NOTE 2 – USDA NOTE AGREEMENT – FIRE TRUCK:**

The note agreement is dated October 28, 2003 with interest at 4.25% paid semi-annually. The note is secured by the fire truck.

**ANNUAL REQUIREMENTS TO AMORTIZE LONG-TERM DEBT**

MARCH 31, 2006  
(PRINCIPAL ONLY)

Year Ending March 31

2006	\$ 5,000
2007	7,500
2008	7,500
2009	7,500
2010	10,000
2011	10,000
2012	10,000
2013	10,000
2014	10,000
2015	10,000
2016	10,000
2017	10,000
2018	12,500
	<hr/>
Total	<u>\$120,000</u>

**NOTE 3 - CHANGES IN GENERAL FIXED ASSETS:**

A summary of changes in general fixed assets follows:

	<b>BALANCE MARCH 31, <u>2005</u></b>	<b><u>ADDITIONS</u></b>	<b><u>REDUCTIONS</u></b>	<b>BALANCE MARCH 31, <u>2006</u></b>
Land & buildings – ½ township share	\$ 41,275			\$ 41,275
Fire trucks	196,551		\$17,000	179,551
Fire equipment	26,768	\$2,239		29,007
Five acre landfill	5,000			5,000
Furniture & fixtures	<u>56,987</u>	<hr/>	<hr/>	<u>56,987</u>
<b>TOTAL GENERAL FIXED ASSETS</b>	<b><u>\$326,581</u></b>	<b><u>\$2,239</u></b>	<b><u>\$17,000</u></b>	<b><u>\$311,820</u></b>

**BROOKFIELD TOWNSHIP, HURON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2006**

**NOTE 4 - DEPOSITS AND INVESTMENTS:**

Deposits are carried at cost. Deposits of the Township are at banks in the name of the Township Treasurer.

The Governmental Accounting Standards Board Statements No. 3 risk disclosures for cash deposits are as follows:

**DEPOSITS:**

At year-end, the carrying amount of the Township's deposits was \$175,300 and the bank balance was \$178,981 all of which was covered by federal depository insurance. Michigan law does not require collateralization of government deposits. All of the Township's funds were in accordance with Michigan Compiled Laws, Section 129.91 and were invested in local banks.

**INVESTMENTS:**

State statutes and Township policy authorize the Township to invest in obligations of the United States, or agencies and instrumentalities of the U.S. commercial paper rated at the time of purchase within the top two classifications by at least two of the four rating agencies, certificates of deposits, repurchase agreements, banker's acceptance, and mutual funds.

The Township's investments are categorized to give an indication of the level of risk assumed at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's or by it's trust department but not in the Township's name. At March 31, 2006, the Township had no Category 1, 2 or 3 investments. Additional disclosures required by GASB 40 are not included in the accompanying financial statements.

The Township's cash and cash equivalents at March 31, 2006 are composed of the following:

	<b><u>CASH &amp; CASH EQUIVALENTS</u></b>
GENERAL FUND:	
Deposits	\$ 92,158
Other Funds:	
Deposits	<u>83,142</u>
TOTAL	<u>\$175,300</u>

**NOTE 5 - PENSION PLAN:**

**PLAN DESCRIPTION:**

The township made a contribution to an IRA/SEP pension plan covering all elected officials who choose to belong to the plan. During the most recent plan year, the township's actual contribution amounted to \$3,030. The plan is funded through the Farm Bureau Life Insurance Company.



**BROOKFIELD TOWNSHIP, HURON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2006**

**NOTE 6 - LEGAL COMPLIANCE - BUDGETS:**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

1. On or prior to April 1 of each year, a proposed budget is submitted to the Board of Trustees for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted through passage of a resolution.
4. Any revisions of the budget must be approved by the Board of Trustees.
5. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds.
6. Budgets for general and special revenue funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Trustees during the fiscal year. Individual amendments were not material in relation to the original appropriations which were amended.
7. The budget is prepared by fund and function and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Expenditures may not exceed budget at the function level.

During the year ended March 31, 2006, the following expenditures were in excess of the amounts appropriated:

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Fire Fund:			
Capital Outlay	NONE	\$1,450	\$1,450

**NOTE 7 - PROPERTY TAX REVENUE:**

Property taxes become an enforceable lien on the property as of July 1 and December 1. Taxes are levied on July 1 and December 1 and are due in September and February of the following year. The Township bills and collects its own property taxes and also taxes for the county, intermediate school district, state education fund and school districts. All tax collections are accounted for in the tax collection fund, an agency fund. Township tax revenues are recognized in the fiscal year which includes the December 1 levy date. The Township levied a general millage of 1.1502 mills (\$34,200), a fire millage of .9939 mills (\$29,552) and a road levy of 3.9976 mills (\$118,873).

**BROOKFIELD TOWNSHIP, HURON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2006**

**NOTE 8 – RISK MANAGEMENT:**

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township carries commercial insurance to cover any losses that may result from the above described activities. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**NOTE 9- GASB 34:**

The Township chose not to adopt GASB 34, which is required by Generally Accepted Accounting Procedures (GAAP). This departure from GAAP is also noted in the audit report letter.

**NOTE 10 – DUE TO AND FROM OTHER FUNDS:**

Due to and from other fund balances at March 31, 2006 are as follows:

<u>Fund</u>	<u>Due from other funds</u>	<u>Due to other funds</u>
General	\$14,207	
Special Revenue	15,332	\$17,747
Current Tax Collection	<u>          </u>	<u>11,792</u>
	<u>\$29,539</u>	<u>\$29,539</u>

## Financial Statements of Individual Funds

**BROOKFIELD TOWNSHIP, HURON COUNTY**  
**GENERAL FUND**  
**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**YEAR ENDED MARCH 31, 2006**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
<b>REVENUE</b>			
Taxes:			
Current property tax	\$ 34,099	\$ 34,200	\$ 101
Licenses & permits		75	75
Intergovernmental revenue:			
State shared revenue	41,000	43,395	2,395
Metro		3,546	3,546
Other revenues:			
Miscellaneous	<u>3,025</u>	<u>4,395</u>	<u>1,370</u>
Total other revenues	<u>3,025</u>	<u>4,395</u>	<u>1,370</u>
<b>TOTAL REVENUE</b>	<u>78,124</u>	<u>85,611</u>	<u>7,487</u>
<b>EXPENDITURES</b>			
Legislative:			
Salaries & wages - township board	1,800	1,800	-
Miscellaneous	<u>276</u>	<u>242</u>	<u>34</u>
Total Legislative	<u>2,076</u>	<u>2,042</u>	<u>34</u>
Executive:			
Salaries and wages	8,000	8,000	-
Office supplies & expenses	<u>1,555</u>	<u>1,014</u>	<u>541</u>
Total Executive	<u>9,555</u>	<u>9,014</u>	<u>541</u>
Clerk:			
Salaries & wages	5,000	5,000	-
Office supplies & expenses	2,373	1,060	1,313
Printing and publishing	<u>250</u>	<u>62</u>	<u>188</u>
Total Clerk	<u>7,623</u>	<u>6,122</u>	<u>1,501</u>
Board of Review:			
Salaries & wages	525	425	100
Office supplies & expenses	<u>39</u>	<u>-</u>	<u>39</u>
Total Board of Review	<u>564</u>	<u>425</u>	<u>139</u>

**BROOKFIELD TOWNSHIP, HURON COUNTY**  
**GENERAL FUND**  
**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**YEAR ENDED MARCH 31, 2006**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES: (Continued)			
Treasurer:			
Salaries & wages	\$ 5,500	\$ 5,500	-
Office supplies & expenses	801	1,626	\$ (825)
Printing & publishing	700	634	66
Tax statement preparation	2,000	1,916	84
Miscellaneous	900	762	138
	<u>          </u>	<u>          </u>	<u>          </u>
Total Treasurer	\$ 9,901	10,438	(537)
Township Hall & Grounds:			
FICA	-	-	-
Operating supplies	850	189	661
Insurance	3,030	2,767	263
Repairs & maintenance	7,500	-	7,500
Capital outlay	400	-	400
Utilities	2,000	1,478	522
	<u>          </u>	<u>          </u>	<u>          </u>
Total Township Hall & Grounds	13,780	4,434	9,346
Zoning Board	415	644	(229)
Drain at Large	10,000	10,146	(146)
Elections:			
Salaries & wages	1,000	-	1,000
	<u>          </u>	<u>          </u>	<u>          </u>
Total elections	1,000	-	1,000
Parks and Cultural:			
Supplies	500	500	-
Drug enforcement	500	500	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total Parks and Cultural	1,000	1,000	-
 TOTAL EXPENDITURES	 <u>55,914</u>	 <u>44,265</u>	 <u>11,649</u>

**BROOKFIELD TOWNSHIP, HURON COUNTY**  
**GENERAL FUND**  
**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**YEAR ENDED MARCH 31, 2006**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$ 22,210	\$ 41,346	\$ 19,136
FUND BALANCE - BEGINNING OF YEAR	<u>64,735</u>	<u>64,735</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 86,945</u>	<u>\$ 106,081</u>	<u>\$ 19,136</u>

See the accompanying notes.

**BROOKFIELD TOWNSHIP, HURON COUNTY**  
**COMBINED BALANCE SHEET -**  
**SPECIAL REVENUE FUNDS**  
**March 31, 2006**

	<u>FIRE FUND</u>	<u>ROAD FUND</u>	<u>TOTAL (MEMORANDUM)</u>
<b><u>ASSETS</u></b>			
Cash	\$66,806	\$14,261	\$81,067
Taxes receivable		6,326	6,326
Due from other funds	9,006		9,006
<b><u>TOTAL ASSETS</u></b>	<b><u>\$75,812</u></b>	<b><u>\$20,587</u></b>	<b><u>\$96,399</u></b>
 <b><u>LIABILITIES AND FUND EQUITY</u></b>			
LIABILITIES:			
Accounts Payable			-
Due to other funds	\$ 10,313	\$ 7,434	\$ 17,747
Due to other governmental units			-
Notes payable			-
USDA note agreement payable			-
General obligation bonds payable			-
<b>TOTAL LIABILITIES</b>	<b>10,313</b>	<b>7,434</b>	<b>17,747</b>
 FUND EQUITY:			
DESIGNATED	65,499	13,153	78,652
<b>TOTAL FUND EQUITY</b>	<b>65,499</b>	<b>13,153</b>	<b>78,652</b>
<b><u>TOTAL LIABILITIES &amp; FUND EQUITY</u></b>	<b><u>\$75,812</u></b>	<b><u>\$20,587</u></b>	<b><u>\$96,399</u></b>

See the accompanying notes.

**BROOKFIELD TOWNSHIP, HURON COUNTY**  
**COMBINED SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS**  
**YEAR ENDED MARCH 31, 2006**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Current property tax	\$ 147,464	\$ 148,425	\$ 961
Fire calls	-	-	-
Standby fee	-	-	-
Miscellaneous	-	4,211	4,211
Interest	-	1,756	1,756
TOTAL REVENUE	147,464	154,392	6,928
EXPENDITURES:			
Salaries	2,900	2,928	(28)
Telephone	600	624	(24)
Repairs and maintenance	2,500	3,286	(786)
Insurance	12,000	10,800	1,200
Supplies	500	1,040	(540)
Utilities	1,500	1,157	343
Capital outlay	0	1,450	(1,450)
Bond interest	5,313	5,313	
Miscellaneous	-	145	(145)
Road construction/maintenance	124,536	113,056	11,480
TOTAL EXPENDITURES	149,849	139,799	10,050
OTHER FINANCING SOURCES (USES):			
Loan payments - USDA	5,000	5,000	-
TOTAL OTHER FINANCING SOURCES (USES)	5,000	5,000	-
EXCESS (DEFICIENCY OF REVENUE AND OTHER SOURCES OVER EXPENDITURES	(7,385)	9,593	16,978
FUND BALANCE - BEGINNING OF YEAR	69,059	69,059	
FUND BALANCE - END OF YEAR	<u>\$ 61,674</u>	<u>\$ 78,652</u>	<u>\$ 16,978</u>

See the accompanying notes.



**BROOKFIELD TOWNSHIP, HURON COUNTY**  
**SPECIAL REVENUE - FIRE FUND**  
**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**YEAR ENDED MARCH 31, 2006**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Current property tax	\$ 29,464	\$ 29,552	\$ 88
Fire calls		0	0
Standby fee		-	-
Miscellaneous		4,211	4,211
Interest		1,748	1,748
TOTAL REVENUE	<u>29,464</u>	<u>35,511</u>	<u>6,047</u>
EXPENDITURES:			
Salaries	2,900	2,928	(28)
Telephone	600	624	(24)
Repairs and maintenance	2,500	3,286	(786)
Insurance	12,000	10,800	1,200
Supplies	500	1,040	(540)
Utilities	1,500	1,157	343
Capital outlay	0	1,450	(1,450)
Bond interest	5,313	5,313	-
Miscellaneous	-	145	(145)
TOTAL EXPENDITURES	<u>25,313</u>	<u>26,743</u>	<u>(1,430)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>4,151</u>	<u>8,768</u>	<u>7,477</u>
OTHER FINANCING SOURCES (USES):			
Loan payments - USDA	<u>5,000</u>	<u>5,000</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES):	<u>5,000</u>	<u>5,000</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES	<u>(849)</u>	<u>3,768</u>	<u>4,617</u>
FUND BALANCE - BEGINNING OF YEAR	<u>61,731</u>	<u>61,731</u>	
FUND BALANCE - END OF YEAR	<u>\$ 60,882</u>	<u>\$ 65,499</u>	<u>\$ 4,617</u>

See the accompanying notes.

**BROOKFIELD TOWNSHIP, HURON COUNTY**  
**SPECIAL REVENUE FUND - ROAD FUND**  
**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN**  
**FUND BALANCE - BUDGET & ACTUAL**  
**YEAR ENDED MARCH 31, 2006**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Property taxes	\$ 118,000	\$ 118,873	\$ 873
Interest	-	8	8
TOTAL REVENUE	<u>118,000</u>	<u>118,881</u>	<u>881</u>
EXPENDITURES:			
Road construction/maintenance	<u>124,536</u>	<u>113,056</u>	<u>11,480</u>
TOTAL EXPENDITURES	<u>124,536</u>	<u>113,056</u>	<u>11,480</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(6,536)	5,825	12,361
FUND BALANCE - BEGINNING OF YEAR	<u>7,328</u>	<u>7,328</u>	
FUND BALANCE - END OF YEAR	<u>\$ 792</u>	<u>\$ 13,153</u>	<u>\$ 12,361</u>

See the accompanying notes.

**BROOKFIELD TOWNSHIP, HURON COUNTY**  
**SCHEDULE OF CHANGES IN ASSETS & LIABILITIES -**  
**CURRENT TAX COLLECTION FUND**  
**YEAR ENDED MARCH 31, 2006**

	<u>BALANCE</u> <u>3/31/2005</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>3/31/2006</u>
<b><u>ASSETS</u></b>				
Cash in bank	\$ 6,906	\$ 840,655	\$ 845,486	\$ 2,075
Taxes receivable	<u>10,042</u>	<u>42,841</u>	<u>10,042</u>	<u>42,841</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 16,948</u></u>	<u><u>\$ 883,496</u></u>	<u><u>\$ 855,528</u></u>	<u><u>\$ 44,916</u></u>
<b><u>LIABILITIES</u></b>				
Due to general fund	\$ 2,064	\$ 2,064	\$ 3,894	\$ 3,894
Due to special revenue fund	8,957	8,957	7,898	7,898
Due to other governmental units	<u>5,927</u>	<u>844,507</u>	<u>871,704</u>	<u>33,124</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 16,948</u></u>	<u><u>\$ 855,528</u></u>	<u><u>\$ 883,496</u></u>	<u><u>\$ 44,916</u></u>

See the accompanying notes.

**BROOKFIELD TOWNSHIP, HURON COUNTY**  
**SCHEDULE OF USDA NOTE AGREEMENT**  
**FIRE FUND**  
**YEAR ENDED MARCH 31, 2006**

<b>FISCAL YEAR BEGINNING APRIL 1</b>	<b>PRINCIPAL DUE OCTOBER 1</b>	<b>INTEREST RATE</b>	<b>INTEREST DUE APRIL 1</b>	<b>INTEREST DUE OCTOBER 1</b>	<b>TOTAL</b>
2006	5,000	4.25%	2,550	2,550	10,100
2007	7,500	4.25%	2,444	2,444	12,388
2008	7,500	4.25%	2,284	2,285	12,069
2009 - 2013	47,500	4.25%			47,500
2014 - 2018	52,500	4.25%			52,500
<b>TOTALS</b>	<b>\$ 120,000</b>		<b>\$ 7,278</b>	<b>\$ 7,279</b>	<b>\$ 134,557</b>

The USDA Note Agreement was issued under the authority of Act 99, Public Acts of Michigan, 1933 as amended. The note proceeds were used to purchase a Fire Truck and was originally issued in the amount of \$130,000. The first interest payment is due April 1, 2004 and is due semi-annually thereafter. The first principal payment of \$5,000 is due October 1, 2004, with payments due annually thereafter.

See the accompanying notes.